

# ELCON PRESS RELEASE

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## ***ELCON PAPER FAULTS ORGANIZED MARKETS, CALLS FOR "EXPLORING" RETURN TO TRADITIONAL REGULATION***

ELCON (the Electricity Consumers Resource Council) today released a paper reaffirming its commitment to truly competitive electricity markets but emphasizing that today's organized markets are not competitive and concluding that "if today's organized markets cannot be fixed...a return to traditional regulation" should be explored. The paper primarily focuses on NY-ISO, ISO-NE and PJM.

John Anderson, ELCON's president, described this paper, entitled "Today's Organized Markets – A Step Toward Competition or an Exercise in Re-regulation?" as "a significant refinement" of ELCON policy. "Almost two years ago," he explained, "ELCON published a major paper entitled 'Problems in the Organized Markets.' That paper outlined why industrial electricity users believed that electricity markets are not only less competitive than those existing before 'restructuring,' they are also demonstrably less consumer oriented. We had hoped to see some progress toward real competition, but we have not. This paper identifies our continued frustration with today's markets, including their governance and operations. Simply put, today's markets lack true competition and, we believe that, given consumer backlash, today's markets are not sustainable."

The paper emphasizes that ELCON members have not given up on the concept of competition. "Some view any criticism of the organized markets as equivalent to a criticism of competition," it states. "ELCON members strongly disagree with this premise."

ELCON's paper lists several conditions it states are necessary to increase competition. These include: Establishing prices "through an interaction of supply and demand"; Incenting new capacity "through market forces – not administration re-regulation"; Allowing markets forces to determine market entry and exit; Enabling consumers "to hedge future prices with long-term bilateral contracts; Ensuring "an adequate transmission infrastructure"; and Mitigating market power.

Anderson noted that a major flaw in today's organized markets is the governance. "The flaws in these markets are not self-correcting. Not one market allocates consumers more than 20 percent of the vote," he stated. "For the most part, today's markets are run by suppliers to benefit suppliers. It is no wonder that not one bona fide consumer group has anything good to say about today's organized markets." ELCON's paper offers three recommendations as the next steps: (1) "States that have not yet restructured should not do so"; (2) "Today's organized markets must be fixed"; and (3) "If today's organized market cannot be fixed, explore a return to traditional regulation."

Anderson added that ELCON members have recently met with all five FERC commissioners to discuss these issues. "We recognize that fixing the markets is not a simple process. There is no silver bullet for FERC to use that will solve all of the problems. We want to work with FERC and with the organized markets to correct what we see are a multitude of shortcomings. In a competitive market, when consumers are not satisfied, suppliers listen. In these markets suppliers don't even communicate with the consumers."

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ELCON, established in 1976, is the national association of large industrial users of electricity from virtually every manufacturing sector. ELCON members seek a reliable supply of electricity at competitive prices and have long supported federal and state efforts to achieve that objective. More information, including a copy of this paper, is available at ELCON's website, [www.elcon.org](http://www.elcon.org).